
CALIFORNIA HEALTHY FOOD FINANCING INITIATIVE COUNCIL (CHFFIC)

MEMORANDUM

Date: November 19, 2012

To: Council Members

From: Najia Rosales, Acting Executive Director

Subject: **Agenda Item 6: State Lender Assistance Programs (Information Item)**

SUMMARY

This agenda item provides the California Healthy Food Financing Initiative Council (CHFFIC) an overview of the California Capital Access Program (CalCAP). Presenters will include Michael Paparian, Executive Director and Nancee Trombley, CalCAP Manager, both from the California Pollution Control Financing Authority (CPCFA) / CalCAP.

BACKGROUND

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the "Act"). The Act created the State Small Business Credit Initiative, which was funded with \$1.5 billion to strengthen state programs that support lending to small businesses and small manufacturers. The State Small Business Credit Initiative is expected to help spur up to \$15 billion in lending to small businesses. California received \$168 million to be used for qualified programs.

Capital Access Program (CalCAP)

CalCAP is a form of loan portfolio insurance which may provide up to 100% coverage on certain loan defaults. When a lender's first loan is enrolled, CalCAP establishes a loss reserve account for that lender. Each time a loan is enrolled in CalCAP, CalCAP matches premiums contributed by the lender and the borrower. For instance, if the lender and borrower each pay a 2% premium, CalCAP will typically pay 4%. For this one loan, a total of 8% is added to the lender's loss reserve account for its entire CalCAP portfolio. Additional funds can be deposited by CalCAP if the enrolled business is in a Severely Affected Community. The more loans a lender makes, the more dollars are deposited into the loss reserve account for its CalCAP portfolio.

Collateral Support Program (CalCAP CS)

CalCAP CS pledges cash to cover the collateral shortfall of a loan. CalCAP CS provides up to 40% of the loan value with an additional 10% coverage given to loans where the borrower's

business is located in a Severely Affected Community. The minimum loan amount is \$100,000, the maximum loan amount is \$20 million, and the maximum support amount is \$5 million per borrower. Lenders set all the terms and conditions of the loans. Loans can be short- or long-term, have fixed or variable rates, and bear any type of amortization schedule. However, CalCAP CS will only provide support for a maximum of 7 years on any one loan. The support is recaptured on an incremental recapture schedule. This support is ideal for construction or renovation of buildings, the purchase of equipment, other capital projects, working capital, energy efficiency/environmental improvement projects, and bridge loans needed prior to obtaining permanent financing (including 504 bridge loans). Depository institutions may be able to hold the cash deposit at its own institution.

Loan Participation Program (CalCAP LPP)

The Loan Participation Program aims to contribute \$10M to a loan pool, of a minimum of \$50M, for the purpose of making PACE like loans for energy efficiency construction projects. CPCFA is currently developing a RFP to be released to lenders who are interested in contributing to the loan pool.

California Small Business Loan Guarantee Program (SBLGP)

The SBLGP is administered by the Business, Transportation and Housing Agency and works to help businesses create and retain jobs, while at the same time encouraging investment into low- to moderate-income communities. SBLGP works with Financial Development Corporations (FDC's) that will issue state guarantees up to 80% of a loan.

The following table illustrates how CalCAP works:

	Capital Access	Collateral Support	Loan Participation	Loan Guarantee
How it works	CalCAP contributes to a pooled loan loss reserve specific to the Lender. CalCAP contributes between 2%-7% per loan to match borrower/bank contribution.	Cash deposit of up to 50% to cover collateral shortfall. Special focus on SBA 504 bridge loans.	State purchases a participation of \$10 million in a pool at least \$50 million for small business energy efficient renovation or construction loans.	Loan guarantee of up to 80% of principal outstanding.
Advantages	<ul style="list-style-type: none"> • Can secure financing that might not otherwise be available • Adds another credit enhancement tool for borrowers with ability to repay • May be suitable for borrowers not eligible for SBA guarantees • Fast processing • Borrower signature needed on one document only • Staff available to help • No fees to participate and no enrollment quotas 			
Benefit to lender	Loss coverage from the first dollar. Can cover up to 100% of losses.	Collateral coverage to help reach desired LTV. Deposit may be held at Bank.	CalCAP could potentially be in the first loss position.	Share in losses based on the original percentage guaranteed.
Eligible loan sizes (average)	No minimum Up to \$2.5 million (Average \$65,000)	\$100,000 minimum Up to \$ 20 million (Anticipated Average \$1 million)	Up to \$ 20 million (Anticipated average \$5 million)	Up to \$5 million (Average \$100,000)
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